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CHINA CLUB'S PAMPHLETS
Number 2

中國會舍路埠

China Trade High Lights

By
JULEAN ARNOLD
Commercial Attache
Bureau of Foreign and Domestic Commerce
Department of Commerce

Issued by the
CHINA CLUB OF SEATTLE
541-43 Henry Building
SEATTLE, WASHINGTON, U.S.A.

Foreword

The author of this pamphlet, Dr. Julean Arnold, is generally recognized as an authority upon questions related to China's commercial and industrial developments. For over twenty years he has served in the Far East in the Foreign Services of the Departments of State and Commerce.

Since October, 1914, he has held the important appointment of American Commercial Attache to China. He served as Chairman of the American delegations to the China Tariff Revision Commissions of 1918 and 1922.

J. C. HERBSMAN,
Executive Secretary, China Club of Seattle.

China Trade High Lights

1. China is in a state of flux. The country was not prepared for the tremendous changes which came with the sudden institution of a republic. It is, however, so large, its internal communications so inadequate and still so lacking in the delicate and intricate machinery of a modern economic society, that it seems impossible to put the lid of depression on the whole country at any one time. Thus we witness the interesting phenomenon of a foreign trade continuously increasing in its value in spite of serious internal disturbances. Well informed Chinese seem pessimistic as to any short cuts to a speedy settlement of China's internal affairs. They contend that China's proximity to Soviet Russia further complicates the political situation. Thus it appears that the element of time is a necessary factor to the establishment of stabilized political conditions.

2. Remember, it took our forefathers some years of hard labor under very trying conditions to put our republic into smooth running shape. By way of contrast multiply China's problems ten fold, then exercise patience and a kindly sympathy toward the infant Chinese Republic ushered into the world in 1911, A. D., the child of ancestors four thousand years subject to the decrees of monarchs.

3. It is highly desirable that in due course the West accord China every possible assistance in the straightening out of the country's tangled finances. With the refunding of the silver one billion dollar of unsecured or imperfect-fully secured obligations, China will be ready in cooperation with a Chinese banking group for some such plans as proposed by the international consortium, which was conceived for the purpose of aiding in the economic developments of the country while conserving to the Chinese their sover-

eign rights. Hopes are entertained that the coming customs conference at Peking as provided for by the Washington Agreements concluded in Feberuary, 1922, may be instrumental, through arranging for increased customs revenues, in effecting a refunding plan which will take care of China's outstanding unsecured domestic and foreign obligations. There are no intimations from the Chinese of the repudiation of any of their obligations. The aggregeate of the Chinese government debts, both foreign and domestic, is about silver $2,500,000,000 (U. S. Gold approximately $1,300,000,000), which is not large.

4. It is interesting to note that in spite of the political disturbances in China during the past few years, the Belgium-Dutch capitalists and engineers have continued with the construction of their railway traversing north-central China, a distance of nearly a thousand miles. There is a great deal in knowing how. Americans are inclined to blow too many horns and ring too many bells in connection with development projects in China, only to invite obstacles which easily discourage. A better policy is to proceed quietly and unostentatiously and let results speak for themselves.

5. Some of the more promising aspects of the political outlook in China are: (a) The substantial developments in nationalism on the part of business men, bankers and educators; (b) the growth of the native newspaper; (c) the substitution of a modern for an ancient stereotyped form of education; (d) the recognition on the part of many educators of the necessity of mass education, and the movement to popularize 1,000 most used Chinese characters, with the publication of litereature in this simplified vocabulary; (e) the receptive attitude of business men and others toward modern institutions and ideas. It is well to bear in mind that China has no old machinery or ideas, in a modern sense, to scrap, hence is in a position to take from the West the best it has to offer. However, the question of adjusting Western ideas and materials to a Chinese environment is one requiring careful thought and cautious action.

6. The Chinese invented paper, printing, ink, porcelain, gunpowder, the mariner's compass, etc.; gave tea, silk and many other products to the world; produced great scholars, artists, statesmen and artisans, and developed an architecture and an art of their own. Every member of their society possesses a certain measure of culture, the result of a rich civilization. Furthermore, the people are good natured, reasonable, and possess a good conception of justice. They are intelligent, industrious, well mannered and tolerant.

7. The iron and steel consumption of a country

furnishes a good yardstick for measuring its economic advancement. China's per capita consumption is 1/180 of that of the United States, 1/100 of that of England or Germany, 1/10 that of Japan, and 1/30 of the average for the world generally. China possesses the greatest coal and iron resources of any nation in the Far East, but can boast of but 14 blast furnaces producing annually about 500,000 tons of pig compared with America's 450 producing 27,000,000 tons. China's coal mines produce 25,000,000 tons annually compared with 500,000,000 tons for those of the United States. Modern China is receptive to the use of Western science, machinery and capital in the development of its latent resources.

8. A tramp walking the ties of the railways of China at the rate of 25 miles a day would be able to complete the job in less than ten months. Were he to undertake the job in America, it would tke him 30 years, without a holiday. While the United States is preparing for the centennial anniversary of the laying of its first rail, Szechuan, the Texas of China, with an estimated population greater than that of all of South America, has yet to lay its first rail. Millions of human beings in China compete with pack animals and carts as beasts of burden. If the cargo which the American railways carried last year were placed upon the backs of human beings it would require 800,000,000 men, each carrying 150 pounds fifteen miles a day for 365 days. In this calculation we have neglected to take care of the billion passengers our railways carried. The coolie carrier in China does well when he makes 15 cents gold a day, yet he charges the traffic seven to ten times as much as do our railways and takes ten times as long to do the job.

9. Without railways, the population of the United States would have grown in a restricted way along the coasts and river valleys accessible thereto. 350,000,000 Chinese are crowded into an area not much greater than one-third of that of the United States, at a density of 250 to the square mile, two-thirds of Greater China contains less than two to the square mile. It is partly because several millions of China's population are reduced to beasts of burden that another million are carrying arms under numereous independent or semi-independent leaders. The Chinese bandit-soldier is not stuck on his profession. He would prefer a safer calling if improved economic conditions would permit.

10. Americans should not be afraid to encourage the Chinese to embark upon an era of modern industrialism, for fear of the competition which it might offer to American manufacturers. Adding to China's three million spindles and her

10,000 looms, means putting more and better clothes upon the backs of one-quarter of the world's popualtion, and it means closing the gap between China's 15,000 motor vehicles and America's 15,000,000; between China's 75,000 telephones and America's 25,000,000. Incidentally, it will help to give Chinese labor lucrative employment at home and thereby dispel the American laborer's bogey of a Yellow Peril.

11. Illustrative of some of the interesting commercial developments in progress in China is the romantic story of the little soya bean, which, during the past twenty years, rose from a place of obscurity in China's exports to second after silk, with an aggregate value for the bean and its products of gold $100,000,000 per annum. Manchuria produces 8,000,000 short tons a year, or 70% of China's output. The soya bean is the only vegetable product competing with milk as a perfect food. It threatens to push the cow into the museum of extinct animals.

12. In physical features China is much like the United States. It is a vast continental country. Like the United States, China will have to develop its internal resources before Chinese capital and energy will be attracted in any large way to foreign trade enterprise. The fact that the Chinese have no overseas mercantile marine, no big banking or trading companies abroad, no marine insurance companies, indicates quite clearly that it has left the handling of its foreign trade to foreign concerns. Thus it will be decades before the foreign trader in China need fear the competition of the Chinese firm equipped to handle a direct foreign trade in a large way. Under ordinary circumstances the American manufacturer and jobber will do well to entrust the handling of his products in China to American concerns with organizations in the field, unless he would place his own representative in China or incorporate for business in China. The China Trade Act permits American incorporation for business in China free from incorporation taxes.

13. China's walls are not tariff walls. China customs tariff is under the supervision of foreign powers, which have agreed to raise the present 5% import tariff to a uniform 7½%, and later with the abolition of certain internal taxes, to grant a further increase to 12½%. Thus the field is open to all comers with no discriminating tariffs, hence competition is on an international basis. In cases where American goods cannot compete in price with those from other countries, quality or service often more than closes the gap.

14. In China, silver coins are a commodity as

well as a medium of exchange. The unit of value in import and export transactions is the silver tael or ounce. Each community has its own scales, an idea not at all objectionable to China's million exchange shops. Among the Chinese masses, copper is the common medium. Indicative of a gradual improvement in the general economic conditions of the masses is the displacement, during the past twenty years, of the brass cash by the copper ten and twenty cash pieces. The silver dollar is gradually displacing the tael unit in silver transactions. With the establishment of a central mint under proper expert direction, it should be possible to put into circulation uniform silver and copper coins, the first essential to a stabilized currency, but a solar plexis blow to the exchange shops. In spite, however, of China's chaotic finances, the country in the main adheres to a specie currency which makes for sound business.

15. Gambling on silver exchange is a favorite indoor sport of the average Chinese merchant. There are some sad tales to relate in connection with the failures of some Chinese merchants to fix their silver exchange at the time of contracting with importers for foreign goods. The American manufacturer and jobber will do well to take cognizance of the important part played by silver exchange in China's foreign trade transactions. High silver exchange (the more gold one can purchase with the silver dollar) favors imports, whereas low silver exchange favors China's exports. Some foreign importers assist in stabilizing their trade by fixing definite prices in local silver currency for their commodities, absorbing any profits in silver exchange in discounts to Chinese jobbers and dealers.

16. In our first lesson in Latin in the study of Caesar we read: "All Gaul is divided into three parts." Let the first sentence of the first lesson for the the American exporter to China read: "All China is divided into three parts, namely, North, Central and South China." Then let him make his agency or branch house arrangements accordingly. If he would cover the country more intensively, let him in addition to connections at Tientsin, Shanghai, and Hongkong, arrange also for connections at Dairen and Harbin in Manchuria; Hankow, in the Upper Yangtze region, and Canton, in South China. Don't expect your representative at Shanghai to be able to jump on a train and arrive in Dairen, Hankow, Hongkong or Saigon, within a few hours, because he will be obliged to take steamers instead and spend from four to ten days in reaching these points. Furthermore, once you have selected your representative for a certain section of China, do not flirt with others in that territory, lest you encourage your representative to do likewise. Trust

him and keep him well informed regarding your business with him.

17. Shanghai is the New York, San Francisco, and New Orleans of China, for the country has no coast line on the West. Shanghai is at the mouth of the most populous river valley in the world. In an area of 50,000 square miles, or about that of the State of Illinois, in the so-called Yangtze Delta region, there is an estimated population of 40,000,000. Shanghai is at about the same latitude as New Orleans. It is the most populous city in China, and may, within a few decades, bid for place as the most populous city in the world. About 50% of China's foreign trade passes through Shanghai. Over half of the American mercantile population in China reside in Shanghai. The American Club in Shanghai occupies a modern six-story building and compares with any similar institution in the United States. An American school provides excellent facilities under American auspices for training from the elementary through the high school grades, with dormitory accommodations. The many palatial modern business and residential buildings and the numerous big, modern industrial plants at Shanghai are a surprise to the visitor to China who expects to find but little of a truly up-to-date character in this oldest of civilizations extant.

18. The compradore, the indispensable intermediary in foreign trade transactions in China for decades, is gradually losing his position of importance or merging into a Chinese assistant. Whereas, at one time he guaranteed all the foreign firms' accounts with Chinese jobbers or dealers, he now in many cases guarantees no more than 25%. The foreign importer can no longer succeed by sitting in his office and depend entirely upon his compradore for his contracts with the Chinese trade. Modern salesmanship is becoming of increasingly greater importance. It is necessary now to go out after business. Native salesmen usually operate under the direction of the foreign importer, as it is necessary that their work be checked and that the foreign importer keep in close touch with the Chinese jobbers and dealers.

19. The Chinese student trained in America should prove a valuable asset to American trade in China, but it is well to bear in mind that unless he has acquired the ability of translating his education into action, it may be found that he has merely substituted an American academic for a Chinese academic training. Thus it is quite necessary that he be encouraged while in the United States and that facilities be accorded him to supplement his collegiate training with actual experience in industrial plants, business offices, engineering establishments, etc. It is a

mistaken idea to conclude that with his American training he will be able to return to China and be able immediately to make a success as a representative of an American manufacturer or jobber. He will be obliged to demonstrate to his own people his ability to succeed, which means that he will also find it necessary to establish useful Chinese contacts, which are not the work of a few months.

20. China is no place for pikers, either in mental equipment, moral character, or financial resources. The right man, with the right idea and the right backing or connected with the right concern, will find the field one well worth cultivating and full of pioneering possibilities.

21. Select your agent or representative for your business in China with at least as much care and pride as you would your new car, then back him to the limit, but remember, running your Shanghai office from New York or San Francisco is likely to be analogous to running your car from the back seat. Make it pay for your China representative or employee to make your business in China pay.

22. The further a cheap man is sent from home the more expensive he is likely to become. Remember, Shanghai is 9000 miles from New York by the shortest route, and beware of the joyrider who would make the China tour at your expense and leave you to puzzle over the beautiful picture he painted of the millions of Chinese customers. Also bear in mind that it is not the catalog, but the man behind the catalog who sells your goods.

23. Compensate your China employee well, but remind him that because the 18th Amendment does not apply to Americans in China, even though they are under the jurisdiction of American rather than Chinese laws and courts, yet this does not justify him taking out proxies for his friends in the United States and on this account spending beyond his income. The Britisher in China can show him how to maintain a normal waist girth and a clear eye, through consistent indulgence in recreative sports. The 12,000 Americans and the 600 American concerns in China are but a handful in a country one-fifth larger than the United States and possessed of a population three or four times as great, hence each individual and concern typifies American ideas, methods and ideals.

24. The best advertiser of American goods in China is a satisfied customer. The Chinese mind associates American goods and methods with ideas of quality. Do not give him cause to change his mind.

25. If the American manufacturer or jobber would pass the buck for any complaints to the China importer, then let him select, pack, and

ship the goods ordered in accord with the instructions of the importer. In this connection, beware of that forwarding or express company which eats up all the importer's profits, and then some, through exorbitant charges.

26. Until the airship becomes a generally recognized common carrier, we are obliged to depend upon our ships as the ocean extensions of our railways. It is folly to expect ships under other than the American flag to exhibit much enthusiasm in carrying American products to markets which the nationals of these foreign ships claim as their own. Also bear in mind that American overseas steamship companies are naturally useful American foreign trade drummers.

27. If you are interested in big dividends for the future of America's trade with China, encourage the 2000 American boys and girls in China to study Chinese and to know China. The schools for American children in China are denied the privilege of lapping from the bowl of American tax funds, hence are obliged to depend upon tuition fees and the contribution plate.

28. Because the Chinese live in a walled compound within a walled city, in a walled country, does not justify a foreigner in China shutting himself off from contact with the Chinese. Before going to China every American should be inoculated against "wallitus" so that he may be prepared to develop the maximum of useful contacts among a people with whom he would extend his business. In China, business is still done over the tea-cup rather than telephone, hence friendship plays an important role in business transactions. Thus if Americans would succeed in China, they must cultivate useful Chinese contacts.

29. A Chinese mother refused to allow her daughter to proceed to America to finish her education because she objected to American social customs. When asked where she got her information she replied, "From the movies." Through the melodramatic photo play, the Chinese movie fans who are rapidly increasing in numbers, come to know much that is uncomplimentary about America. The American industrial and educational film carefully combined with the animated cartoon could succeed in popularizing American methods and materials in China far more rapidly and far more effectively than can be done by mailing to them millions of the most expensively gotten out catalogs and trade journals. The motion picture film is no respector of languages or dialects, it serves as a universal language.

30. Because seedless sun-maid raisins were first translated literally into Chinese characters, the ordinary Chinese interpreted them to read

"without sons Japanese maid raisins," thus it became necessary to get out a second translation so that the son-loving Chinese may make no mistake in reading "American-maid, kernelless raisin." A favorite brand of American chewing gum is marketed in China as "Lasting flavor fragrant candy." The dainty silk begowned, almond-eyed, cherry-mouthed and melonseed-shaped faced Chinese damsel is confronted in the Chinese shop which carries miscellaneous foreign goods, with American, British, French, German and Japanese brands of dentifrices and toilet preparations. She reads none of these languages. She is attracted by the style of the package, the aroma, or the trade-mark of an article which she has learned to like. To the thrifty Chinese often the nature of the container does the trick. For instance, a jar of toilet cream will win out over a tube, as the empty jar can serve other purposes in the household.

31. A brand of American condensed milk holds nearly 90% of the trade in China, although it commands a higher price in the market than any other condensed milk. Why? Because this trade-mark represents in the eyes of the Chinese a superior product. The company holding this trade-mark spent much in advertising it in China, and it is only with the greatest vigilance that it has been able to prevent imitations crowding out its product. An American manufacturer of underwear at one time sold 500 cases of his brand, which had become extensively advertised all over the country. A Japanese imitation has crowded this American product almost entirely out of the market. The American manufacturer made no efforts to protect his trade-mark or chop. China has now a trade-mark law and provisions for registration under it. American attorneys at law in China can attend to registrations for clients in the United States.

32. The ingenious Chinese often finds a better use for the foreign imported article than originally intended. For instance, American hot water bags are used extensively by ladies of China, the larger sizes for theatre companions and the smaller ones to carry in their muffs in Northern China during the winter season, for very few stoves or heaters are used in Chinese buildings.

33. Examining China's list of imports, one will be convinced that the three or four thousand American missionaries in China who expend annually about gold $10,000 000, are not the only American organization acclaiming the slogan, "Let there be Light." Other American corporations have built up huge organizations in China under this slogan. One of these had much to

do with increasing China's annual kerosene consumption to 225,000,000 gallons; another played a prominent part in installing the 400 electric light and power plants which claim an aggregate capacity of 250,000 k. w., and the third represented the principal role in China's annual consumption of 60,000,000,000 cigarettes.

34. Despite the fact that the average American pictures the 400,000,000 of Chinese with chop sticks and rice bowls, China imported during 1923, 10,000,000 bags of American flour and Chinese flour mills drew upon American wheat resources. The aggregate daily capacity of the 140 modern flour mills in China is 120,000 barrels. Between 20% and 30% of flour in China is used in the manufacture of noodles. The consumption of wheat flour products among the Chinese is steadily on the increase. It is estimated that China produces, normally, 400,000,000 bushels of wheat, the equivalent of about one-half of the American production. A poor wheat crop or a bad rice crop in China, or cheap wheat and flour in America, are occasions for the importation of Amerian flour or wheat, or both.

35. Although China's per capita foreign trade is but a fraction of that of the United States, yet it is constantly on the increase. In the aggregate China's imports and exports for 1923 equalled gold $1,300,000,000, of which 55% were imports. America claimed 30% of China's exports and 20% of its imports. While China's foreign trade increased three-fold during the past twenty years, America's share increased four-fold and the American population in China also increased fourfold during this period. The Department of Commerce has had its representative in China since October, 1914. The offices of the American Commercial Attache are located at Peking, those of the American Trade Commissioners are located in Shanghai and Canton. These offices compile a monthly resume of China Trade for distribution among Americans desiring them.

36. American Chambers of Commerce function in China at Shanghai, Tientsin, Hankow and Peking. The Shanghai Chamber maintains quarters under the direction of a paid secretary. In certain other cities in China there are American associations which combine mercantile and other American interests. The Shanghai Chinese General Chamber of Commerce is housed in a large modern building and also owns and conducts a commercial museum in connection with the Chamber. It retains an English-speaking Chinese to handle correspondence in English and to wait upon English speaking visitors.

37. Just because they often cost no more than a postage stamp plus the price of the paper, some business men undervalue the services of the Bureau of Foreign and Domestic Commerce.

Some will pay hundreds of dollars to private agencies for information or assistance of less intrinsic value than they could secure merely for the asking from the Department of Commerce.

38. Before going elsewhere, consult the United States Government agencies and take full advantage of the services which the taxpayers are making it possible for all Americans to secure at but a small fraction to them of their actual costs. Among the useful publications on China is the Commercial and Economic Handbook of China (Revised 1925), which the Bureau of Foreign and Domestic Commerce will have ready for distribution in September 1925.

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